

31<sup>st</sup> August, 2009

## Q2 2009 - Update

Table 1: Highlights

MSM Ticker	OOMS
Date Established	Nov-98
Sector	Oil Marketing
CMP (RO)	0.82
52-wk high/low (RO)	1.610/0.777
YTD Performance (%)	-32.23%
YTD Traded Volume (000)	3,481
Market Cap. (RO 000)	52,890
Shares Outstanding (000)	64,500

Figure 1: Price History

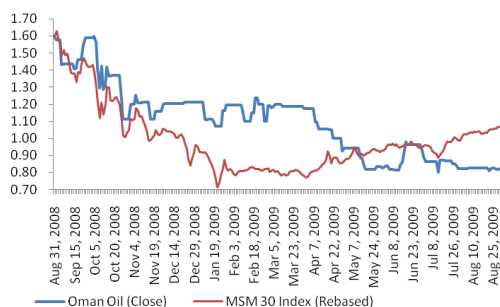


Table 2: Financial Summary

(RO 000)	H1 09	H1 08	% Change
Revenue	79,874	85,732	-6.8%
Direct Costs	-71,584	-77,248	-7.3%
Profit before Tax	2,483	3,623	-31.5%
Net Profit	2,185	3,183	-31.4%
Share Capital	6,450	6,450	0.0%
Share Equity	20,963	17,896	17.1%
Retained Earnings	12,363	9,296	33.0%
Total Assets	41,705	36,530	14.2%
Basic EPS	0.034	0.049	-31.4%
P/E Ratio (x)	12.1	8.3	
GPM (%)	10.4%	9.9%	
NPM (%)	2.7%	3.7%	

## Preview of Q2 2009

- Aggregate sales for three months ended 30<sup>th</sup> June 2009 note 5.1% decline (y-o-y) to RO. 42.07 million from RO. 44.38 million same time last year. H1 '09 sales at RO. 79.87 million (H1'08: RO. 85.73 million).
- The Retail segment continues to withstand well despite the ongoing economic slowdown with volume growth of around 4.0%. Retail station network stands at 114 for the period. Commercial Segment volumes continue to note strain on y-o-y basis. Aviation segment notes improvement q-o-q powered by higher throughput from new & existing opportunities.
- Gross profit notes 3.59% decline to RO. 4.40 million over RO. 4.56 million as of Q2 2008 (y-o-y). H1 '09 gross profits at RO. 8.29 million (H1 '08: RO. 8.48 million).
- Q2 2009 Admin/Distribution expenses notes 24.5% increase (y-o-y) to RO. 3.06 million. Admin/Distrib. expenses for H1 '09 at RO. 5.58 million (H1 '08: RO. 4.41 million). Ministerial Decision No. 8/2009 of the Ministry of Commerce & Industry (MOCI) pertaining to licensing fees leads to marked increase in operational costs, y-o-y.
- Operating Margins decline to 3.04% for Q2 2009 from 4.17% and 3.34% for Q2 2008 and Q1 2009 respectively. H1 '09 margin at 3.18% (H1 '08: 4.28%).
- The net income for Q2 2009 stands at RO. 1.10 million, a decline of 30.1% (y-o-y) over RO. 1.57 million recorded in Q1 2008. H1 '09 net income at RO. 2.18 million (H1 '08: RO. 3.18 million).

## Outlook &amp; Recommendation

- Company likely to pursue further development in Retail segment via site additions. 2 new sites under development.
- Competition likely to remain severe for the short term given the regional economic slowdown.
- Aggregate sales expected to reach RO. 167.9 million for year 2009, a decrease of 1.2%, y-o-y. Bottom line likely to decline 27.1% (y-o-y) for year 2009 to RO. 4.60 million.
- We assign **Accumulate** recommendation to the stock for the short term with 2009 target price of **RO. 1.039/share**.

### Operational Review

The SBU's (strategic business units) continue to witness some strain over 6M 2009 owing to the economic slowdown. The Retail Segment, the single largest unit has continued to witness growth in the range of 4% (y-o-y) for the period. One more new site was added during the period via the company's site development program. The total site network stands at 114 for the period. The average throughput per site continues to note improvement as the newer sites attain maturity. The Commercial Segment continues to be the prime affected segment due to the slowdown in mainly activities of the construction sector. Improvement on a q-o-q basis though is noted as the company secured a new 2-yr supply contract from RAECO worth RO. 11 million. Performance of the Aviation Segment noted improvement as the company secured a supply contract with Turkish Airlines as well as the better offtake from existing airlines. The Lubricants Segment underwent a rebound during the current quarter with volumes registering 23% growth (y-o-y). The company has reported a better export penetration signaling the increased acceptance and demand for the OOMCO brand.

Lubricants Segment on the forefront.

### Financial Review

Sales moderate marginally

The company achieved revenues to the tune of nearly RO. 42.07 million in Q2 2009 down marginally from RO. 44.38 million achieved during Q2 2008. The Sales decline stands at 5.1% on a y-o-y basis for the quarter in question. On a q-o-q basis though the sales have noted a 11.3% upline. The effects of the economic slowdown seem to have loomed on the larger Retail and Commercial Segments. We do take some respite from the q-o-q improvement in sales during the current year, partly a result of the better strategies put in place by management. H1 2009 sales stand at RO. 79.8 million, a 6.8% decline (y-o-y).

**Table 3: Quarterly Income Summary (RO 000)**

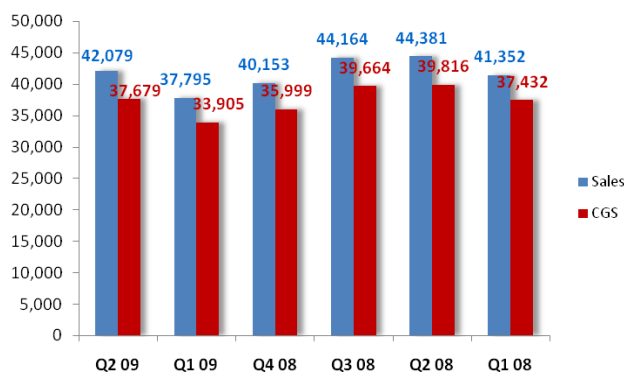
	Q2 09A	Q2 08A	% chg. (y-o-y)	H1 09A	% chg. (y-o-y)
Sales	42,079	44,381	-5.2%	79,874	-6.8%
Gross Profit	4,401	4,565	-3.6%	8,290	-2.3%
Gross Margin (%)	10.5%	10.3%		10.4%	
Net Income	1,100	1,575	-30.1%	2,185	-31.4%
Net Margin (%)	2.6%	3.5%		2.7%	

Source: Company Financials, Al Madina Research

Costs, a key focus area

Direct costs, as reported under Cost of Sales have undergone a 5.36% decline (y-o-y) to RO. 37.6 million as of Q2 2009. The decline in costs seems to be in line with the decline noted in sales over the period. This is also visible as of H1 2009 with direct costs of RO. 71.5 million reflecting lower by 7.3% (y-o-y)

**Figure 2: Sales vs. Cost of Sales (RO 000, Quarterly)**



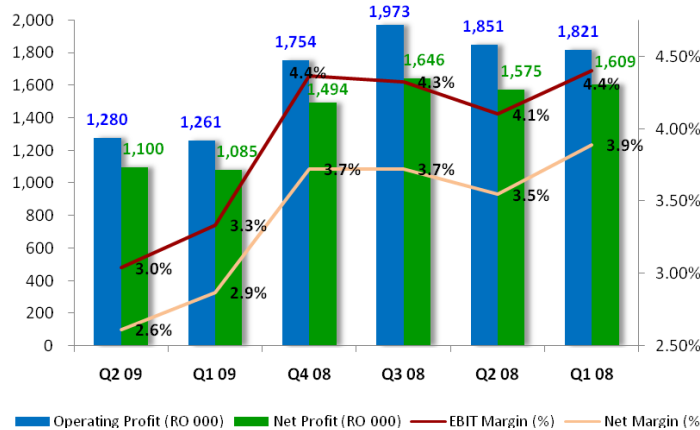
Source: Company Financials, Al Madina Research

Admin. , Distribution and Marketing/Advertising expenses have risen by 15.1% (y-o-y) for the quarter in question (Q2 2009) to RO. 3.25 million. For the 6M ended 30<sup>th</sup> June 2009, the increase is 19.3% (y-o-y) to RO. 5.99 million. The increase is a result of both higher license fees and maintenance costs on stations over the period.

Profits take a setback...

**Profits have undergone a modest decline for the current quarter.** The bottom line for the latest quarter ended 30<sup>th</sup> June 2009 stood lower at just RO. 1.10 million, a 30.1% drop (y-o-y) from the corresponding period last year (Q2 2008: RO. 1.57 million). The decline in sales and simultaneous increase in certain costs has notably depleted profits. While the gross margin has shown some improvement for the quarter, margins at the operating and net level have taken a beating during the period. The EBIT and net margins stood at just 3.0% (Q2 08: 4.1%) and 2.6% (Q2 08: 3.5%) during the period.

**Figure 3: Sales/Profits (RO 000) vs. Margins (%)**



Source: Company Financials, Al Madina Research

Balance Sheet gaining strength

**Table 4: Condensed Balance Sheet (RO 000)**

	6M 09	Yr 08	Chg. Ytd (%)	6M 08	Chg. Yoy (%)
Property, plant and equipment	17,856	17,611	1.4%	14,745	21.1%
<b>Fixed Assets</b>	<b>17,856</b>	<b>17,611</b>	<b>1.4%</b>	<b>14,791</b>	<b>20.7%</b>
Inventory	4,781	4,284	11.6%	1,927	148.2%
Receivables	17,287	16,806	2.9%	17,384	-0.6%
Cash	1,781	1,848	-3.6%	2,429	-26.7%
<b>Current Assets</b>	<b>23,849</b>	<b>22,939</b>	<b>4.0%</b>	<b>21,739</b>	<b>9.7%</b>
<b>Total Assets</b>	<b>41,705</b>	<b>40,550</b>	<b>2.8%</b>	<b>36,530</b>	<b>14.2%</b>
Share Capital	6,450	6,450	0.0%	6,450	0.0%
Retained	12,363	12,435	-0.6%	9,296	33.0%
<b>Shareholders Equity</b>	<b>20,963</b>	<b>21,035</b>	<b>-0.3%</b>	<b>17,896</b>	<b>17.1%</b>
<b>Total non-current liabilities</b>	<b>484</b>	<b>515</b>	<b>-6.1%</b>	<b>535</b>	<b>-9.5%</b>
Payables	16,492	17,034	-3.2%	15,586	5.8%
<b>Total current liabilities</b>	<b>20,258</b>	<b>19,000</b>	<b>6.6%</b>	<b>18,099</b>	<b>11.9%</b>
<b>Total liabilities</b>	<b>20,742</b>	<b>19,515</b>	<b>6.3%</b>	<b>18,634</b>	<b>11.3%</b>
<b>Total equity and liabilities</b>	<b>41,705</b>	<b>40,550</b>	<b>2.8%</b>	<b>36,530</b>	<b>14.2%</b>

Source: Company Financials, Al Madina Research

For the 6M ended 30<sup>th</sup> June 2009, the company's aggregate assets stand at RO. 41.7 million, up moderately from the 2008 year end figure and by 14.2% on a y-o-y basis. Among assets, the Plant/Equipment alone accounts for the bulk at RO. 17.8 million. The increase of 21.1% seen y-o-y is mainly on account of capital expenditure in relevance of new fuel stations. Total Receivables have noted a 2.9% increase over year 2008 end to RO. 17.28 million. These account for 41.4% of total assets. Inventory notes a 11.6% increase,

*y-t-d* comprising 11.5% of total assets. The cash balance stands at RO. 1.78 million. Total liabilities for the period stand at RO. 20.74 million, up 6.3% compared to the year ending 2008. Trade & other payables have noted a 3.2% decline for the current year upto 30<sup>th</sup> June 2009 to RO. 16.49 million. The company has an outstanding short term loan of RO. 2.9 million during the period. Total shareholder's equity stands at RO. 20.96 million for the period.

## Outlook

### Short Term

**The short term is likely to have a bearing on the company's operations.** Given the economic slowdown it is likely that the company's performance would remain under strain for the most of year 2009 (*y-o-y*). However, within the year we do expect to see gradual *q-o-q* improvement in topline achievement.

For year 2009, we put our revenue expectation for the company at RO. 167.9 million, higher from our previous Q1 2009 report estimate. As for divisional level performance, we can expect the Retail Division to deliver flattish performance for the year 2009. The company has expressed its intent to continue its investment program focusing on Retail station additions in 2009. Growth is likely to feature from the Lubricant segment in 2009 with contribution from export market penetration. The Commercial Segment may remain under strain in 2009 given the slowdown effects of the overall economy. We believe a key focus (and challenge) area for the year would be to incorporate greater efficiencies in its operations.

As per our analysis we expect the company to earn a bottom line of RO. 4.60 million in 2009 a decline of 27.2% over the previous year achievement. The net margin is expected to curtail to just about 2.7%. This works out a per share earnings of Bz. 71, at a forward P/E of 11.5 times. The dividend based on past payout ratios is estimated at Bz. 35/share, a yield of 4.3% on the current market price.

### The mid to long term

**We expect to see a notable improvement in business prospects for the sector in the mid to long term owing to the expected gradual improvement in macro economic conditions in Oman.**

In the long run, with the improving economy we feel prospects look bright particularly for the Commercial and Aviation segments. For Oman Oil Marketing, we see long term prospects in these segments to be bright given the infrastructure development initiatives undertaken at the country's major airports and the gradual scale up in private investment activity. The Tourism initiatives undertaken in the country could likely improve the country's prospects as a preferred fuelling destination among International Airlines. At the same time the development of several regional airports in areas such as Sohar, Duqm, Ras Al Hadd would likely hold promise for Aviation business. The Commercial segment may also witness better volume throughput as improving liquidity and economic conditions may again foster better private investment activity with development focused around several key non-oil sectors such as Tourism, Real Estate and Manufacturing. The Lubricants business is also likely to become a more prominent contributor to the company's topline.

As a result of this, we continue to project improvement in the performance of the company particularly in years 2010/2011 with increased throughput and profitability.

*Competition to impact margins going forward.*

## Valuation

### Discounted Cash Flow to Equity (DCF)

We have carried out a valuation exercise on Oman Oil Marketing Co. SAOG using the Discounted Cash Flow to Equity method (DCF) based on forecasted financials (2009E-2013E). For the analysis we have arrived at a Cost of Equity (COE) at 9.41%. The Beta we use is 0.63 derived via regression analysis. The risk free rate ( $r_f$ ) and risk premium is taken at 5% and 7% respectively. We attain a terminal growth rate of nearly 1.5% as part of closure to the valuation.

Based on our workings the fair value per share for Oman Oil Marketing Co. SAOG for the year 2009 works out to nearly **RO. 1.162/share**.

**Table 6: DCF Exercise, Oman Oil Marketing (RO 000)**

	2009	2010	2011	2012	2013
Net Income	4,604	5,108	6,135	7,004	7,786
Capex	4,250	4,000	4,000	3,750	3,750
Depreciation	2,554	2,784	2,886	2,969	3,023
W. Capital	460	-920	-2,681	-583	-575
FCFF	3,367	2,971	2,339	5,640	6,484
Total Disc. FCF	16,869				
PV. Terminal Value	58,067				
Equity Value	74,936				
No. of Shares	64,500				
<b>Fair Value/Share (RO)</b>	<b>1.162</b>				

**Table 7: Valuation Sensitivity Analysis**

COE (%)	Terminal growth rate (%)		
	1.0%	1.5%	2.0%
8.0%	1.335	1.423	1.525
9.0%	1.163	1.228	1.302
9.4%	1.104	<b>1.162</b>	1.227
10.0%	1.029	1.078	1.134
11.0%	0.922	0.961	1.004

### Peer Group: Oil Marketing

For the year 2008, the sector's aggregate revenue stood at RO. 688.07 million. For H1 2009, revenues stood at RO. 300.7.0 million, lower to RO. 347.5 achieved the same time last year. In terms of profitability, the aggregate sector net profit stood at RO. 11.6 million for the 6M ended 30<sup>th</sup> June 2009. The average sector P/E (on TTM basis) stands at 13.5 times.

**Table 8: Peer Group, Oil Marketing Sector**

Company	CMP (RO)	Mkt. Cap. (RO 000)	Sales (RO 000)		Net Income (RO 000)		EPS (RO)			BV/S (RO)		P/E (x)		P/BV (x)		Div. Yld (%)	
			2008	H1 09	2008	H1 09	2008	H1 09	TTM	2008	H1 09	2008	TTM	2008	2008		
Al Maha	8.391	57,898	191,658	80,318	7,349	3,040	1.065	0.441	0.872	3.998	3.938	7.9	9.6	2.1	6.0%		
Oman Oil Mktg.	0.820	52,890	170,049	79,874	6,323	2,185	0.098	0.034	0.083	0.326	0.325	8.4	9.9	2.5	4.3%		
Shell Oman Mktg.	1.988	198,800	326,367	140,567	12,504	6,456	0.125	0.065	0.127	0.268	0.218	15.9	15.6	7.4	5.8%		
<b>Total</b>		<b>309,588</b>	<b>688,073</b>	<b>300,759</b>	<b>26,176</b>	<b>11,681</b>											
<b>Average</b>		<b>103,196</b>	<b>229,358</b>	<b>100,253</b>	<b>8,725</b>	<b>3,894</b>						<b>13.1</b>	<b>13.5</b>	<b>5.6</b>	<b>5.6%</b>		

Source: Company Financials, Al Madina Research, \*CMP as of 31st August 2009.

Using a conservative sector average P/E of just 12.0 times, we arrive at a fair value for the stock (per share) of Oman Oil Marketing Co. SAOG at **Bz. 856/share** based on the Relative Valuation technique. Based on a weighted average of the DCF technique and the Relative Valuation method we arrive at our target fair value price of **RO. 1.039/share** for the year 2009.

### Recommendation

The per share fair value price of **Bz. 1.039** represents an upside of nearly **26.7%** on the current market price of Bz. 820/share. While exercising confidence on the performance of the company especially over the mid to long term horizon, we remain cautious on prospects for the short term. We change our rating on the stock to **Accumulate** for the short term. For the mid-term, we give a **Buy** rating on the stock.

## Appendix: Financials/Company Profile

**Table 9: Income Statement (RO 000)**

Income Statement	2005	2006	2007	2008	2009E	2010E	2011E	2012E	2013E
Revenues	90,243	121,397	152,664	170,049	167,980	183,834	202,171	220,128	237,324
Cost of Sales	-80,829	-109,578	-137,781	-152,911	-150,543	-164,418	-180,513	-196,264	-211,356
<b>Gross Profit</b>	<b>9,414</b>	<b>11,819</b>	<b>14,882</b>	<b>17,138</b>	<b>17,437</b>	<b>19,417</b>	<b>21,659</b>	<b>23,864</b>	<b>25,968</b>
Depreciation	-1,217	-1,499	-1,735	-2,007	-2,554	-2,784	-2,886	-2,969	-3,023
Admin & General Exp.	-4,213	-5,490	-6,147	-7,253	-9,215	-10,460	-11,453	-12,576	-13,734
Advertising Exp.	-395	-383	-722	-970	-816	-855	-948	-1,087	-1,225
Other Income	145	308	340	491	516	539	569	603	639
<b>Operating Profit</b>	<b>3,735</b>	<b>4,755</b>	<b>6,619</b>	<b>7,398</b>	<b>5,368</b>	<b>5,857</b>	<b>6,940</b>	<b>7,835</b>	<b>8,625</b>
Net Finance Costs	-70	-164	-123	-91	-129	-97	-55	6	89
Income fro JV	28	-31	-54	-102					
<b>Profit before Tax</b>	<b>3,692</b>	<b>4,560</b>	<b>6,442</b>	<b>7,205</b>	<b>5,239</b>	<b>5,760</b>	<b>6,885</b>	<b>7,841</b>	<b>8,714</b>
Income tax	-470	-544	-761	-882	-634	-652	-750	-837	-928
<b>Net Income</b>	<b>3,222</b>	<b>4,016</b>	<b>5,681</b>	<b>6,323</b>	<b>4,604</b>	<b>5,108</b>	<b>6,135</b>	<b>7,004</b>	<b>7,786</b>

Source: Company Financials, Al Madina Research

**Table 10: Balance Sheet (RO 000)**

	2005	2006	2007	2008	2009E	2010E	2011E	2012E	2013E
Property, plant and equipment	9,634	10,647	12,639	17,611	19,197	20,324	21,358	22,069	22,730
Interest In Joint Venture	48	17							
Deferred tax	24	63	460						
<b>Fixed Assets</b>	<b>9,705</b>	<b>10,727</b>	<b>13,099</b>	<b>17,611</b>	<b>19,197</b>	<b>20,324</b>	<b>21,358</b>	<b>22,069</b>	<b>22,730</b>
Inventory	2,111	3,590	3,430	4,284	5,103	5,481	5,823	6,133	6,309
Receivables	12,297	16,465	15,319	16,806	16,632	17,935	19,073	19,654	20,112
Cash	2,301	1,790	5,997	1,848	2,206	3,046	2,998	5,756	8,492
<b>Current Assets</b>	<b>16,709</b>	<b>21,845</b>	<b>24,747</b>	<b>22,939</b>	<b>23,941</b>	<b>26,461</b>	<b>27,894</b>	<b>31,544</b>	<b>34,914</b>
<b>Total Assets</b>	<b>26,414</b>	<b>32,572</b>	<b>37,846</b>	<b>40,550</b>	<b>43,138</b>	<b>46,785</b>	<b>49,251</b>	<b>53,612</b>	<b>57,644</b>
Share Capital	6,450	6,450	6,450	6,450	6,450	6,450	6,450	6,450	6,450
Reserves	2,150	2,150	2,150	2,150	2,150	2,150	2,150	2,150	2,150
Retained	5,446	6,559	9,176	12,435	14,782	17,632	21,187	24,966	28,882
<b>Shareholders Equity</b>	<b>14,046</b>	<b>15,159</b>	<b>17,776</b>	<b>21,035</b>	<b>23,382</b>	<b>26,232</b>	<b>29,787</b>	<b>33,566</b>	<b>37,482</b>
<b>Liabilities</b>									
Employees' end of service benefits	311	335	330	211	166	156	146	151	161
Provision for site restoration and abandonment cost	208	240	268	304	343	385	430	478	529
<b>Total non-current liabilities</b>	<b>518</b>	<b>576</b>	<b>598</b>	<b>515</b>	<b>509</b>	<b>541</b>	<b>575</b>	<b>629</b>	<b>690</b>
Payables	8,170	13,889	17,596	17,034	18,138	18,899	17,697	18,006	18,065
Bank Overdraft				566					
Short term loan	2,900	2,000			0	0	0	0	0
Current Tax	458	653	834	863	613	640	756	848	941
Deffered tax				9	53	76	75	65	52
Environmental provision	323	296	591	526	443	397	361	498	414
Payable to Joint Venture			37						
<b>Total current liabilities</b>	<b>11,850</b>	<b>16,837</b>	<b>19,058</b>	<b>19,000</b>	<b>19,247</b>	<b>20,012</b>	<b>18,889</b>	<b>19,417</b>	<b>19,472</b>
<b>Total liabilities</b>	<b>12,368</b>	<b>17,413</b>	<b>19,656</b>	<b>19,515</b>	<b>19,756</b>	<b>20,553</b>	<b>19,464</b>	<b>20,046</b>	<b>20,162</b>
<b>Total equity and liabilities</b>	<b>26,414</b>	<b>32,572</b>	<b>37,432</b>	<b>40,550</b>	<b>43,138</b>	<b>46,785</b>	<b>49,251</b>	<b>53,612</b>	<b>57,644</b>

Source: Company Financials, Al Madina Research

## Appendix: Financials/Company Profile

**Table 11: Cash Flow Statement (RO 000)**

	2005	2006	2007	2008	2009E	2010E	2011E	2012E	2013E
Profit before income taxes and after directors remuneration	3,640	4,560	6,442	7,205	5,239	5,760	6,885	7,841	8,714
Add : Share of loss from joint venture	-28	31	54	102					
Adjustments for:									
Depreciation	1,217	1,499	1,735	2,007	2,554	2,784	2,886	2,969	3,023
Loss / (profit) on disposal of property, plant and equipment	41	65	-27	79	101	75	58	45	42
Net finance costs	70	164	123	91	129	97	55	-6	-89
<b>Operating profit before working capital changes</b>	<b>4,941</b>	<b>6,318</b>	<b>8,326</b>	<b>9,485</b>	<b>8,022</b>	<b>8,716</b>	<b>9,884</b>	<b>10,849</b>	<b>11,690</b>
Changes in working capital:									
Inventories	-593	-1,478	159	-854	-819	-377	-342	-310	-176
Trade and other receivables	-1,234	-4,168	1,146	-1,487	175	-1,303	-1,138	-581	-458
Trade and other payables	1,292	5,705	3,707	-562	1,103	761	-1,201	309	59
Provisions and end of service benefits	-12	25	318	-147	-89	-14	-2	191	-23
<b>Cash from operations</b>	<b>4,394</b>	<b>6,400</b>	<b>13,656</b>	<b>6,435</b>	<b>8,392</b>	<b>7,781</b>	<b>7,201</b>	<b>10,456</b>	<b>11,092</b>
Interest paid	-124	-171	-128	-144	-157	-132	-97	-71	-45
Income tax paid	-292	-388	-563	-798	-841	-602	-636	-755	-848
<b>Net cash from operating activities</b>	<b>3,978</b>	<b>5,841</b>	<b>12,965</b>	<b>5,493</b>	<b>7,394</b>	<b>7,047</b>	<b>6,469</b>	<b>9,630</b>	<b>10,199</b>
<i>Cash flows from investing activities</i>									
Interest received	54	7	5	53	28	35	42	78	134
Paid to Joint Venture				-138					
Proceeds from disposal of property, plant and equipment	71	6	55	3	9	15	22	25	23
Acquisition of property, plant and equipment	-1,952	-2,562	-3,754	-7,062	-4,250	-4,000	-4,000	-3,750	-3,750
<b>Net cash used in investing activities</b>	<b>-1,826</b>	<b>-2,550</b>	<b>-3,694</b>	<b>-7,144</b>	<b>-4,213</b>	<b>-3,950</b>	<b>-3,936</b>	<b>-3,647</b>	<b>-3,593</b>
<i>Cash flows from financing activities</i>									
(Decrease) increase in bank overdrafts				566	-566				
(Decrease) increase in short term loan	1,400	-900	-2,000		0	0	0	-0	0
Dividends paid	-1,935	-2,903	-3,064	-3,064	-2,258	-2,258	-2,580	-3,225	-3,870
<b>Net cash used in financing activities</b>	<b>-535</b>	<b>-3,803</b>	<b>-5,064</b>	<b>-2,497</b>	<b>-2,824</b>	<b>-2,258</b>	<b>-2,580</b>	<b>-3,225</b>	<b>-3,870</b>
<b>Net change in cash and cash equivalents</b>	<b>1,616</b>	<b>-511</b>	<b>4,207</b>	<b>-4,149</b>	<b>358</b>	<b>840</b>	<b>-48</b>	<b>2,758</b>	<b>2,736</b>
<b>Cash and cash equivalents at 1 January</b>	<b>685</b>	<b>2,301</b>	<b>1,790</b>	<b>5,997</b>	<b>1,848</b>	<b>2,206</b>	<b>3,046</b>	<b>2,998</b>	<b>5,756</b>
<b>Cash and cash equivalents at 31 December</b>	<b>2,301</b>	<b>1,790</b>	<b>5,997</b>	<b>1,848</b>	<b>2,206</b>	<b>3,046</b>	<b>2,998</b>	<b>5,756</b>	<b>8,492</b>

Source: Company Financials, Al Madina Research

## Appendix: Financials/Company Profile

**Table 12: Ratio Analysis**

	2005	2006	2007	2008	2009E	2010E	2011E	2012E	2013E
<b>Valuation</b>									
EPS (RO)	0.050	0.062	0.088	0.098	0.071	0.079	0.095	0.109	0.121
BV/S (RO)	0.218	0.235	0.276	0.326	0.363	0.407	0.462	0.520	0.581
SPS (RO)	1.399	1.882	2.367	2.636	2.604	2.850	3.134	3.413	3.679
P/E (x)	16.4	13.2	9.3	8.4	11.5	10.4	8.6	7.6	6.8
PBV (x)	3.8	3.5	3.0	2.5	2.3	2.0	1.8	1.6	1.4
P/SPS (x)	0.6	0.4	0.3	0.3	0.3	0.3	0.3	0.2	0.2
Div. (Cash)	0.045	0.048	0.048	0.035	0.035	0.040	0.050	0.060	0.065
Div. (Stock)	-	-	-	-	-	-	-	-	-
Div. Yld (%)	5.5%	5.8%	5.8%	4.3%	4.3%	4.9%	6.1%	7.3%	7.9%
Payout (%)	90.1%	76.3%	53.9%	35.7%	49.0%	50.5%	52.6%	55.3%	53.8%
<b>Profitability</b>									
Gross Margin (%)	10.4%	9.7%	9.7%	10.1%	10.4%	10.6%	10.7%	10.8%	10.9%
NPM (%)	3.6%	3.3%	3.7%	3.7%	2.7%	2.8%	3.0%	3.2%	3.3%
Return on Beginning Equity (% ROBE)	25.2%	28.6%	37.5%	35.6%	21.9%	21.8%	23.4%	23.5%	23.2%
Return on Average Equity (% ROAE)	24.0%	27.5%	34.5%	32.6%	20.7%	20.6%	21.9%	22.1%	21.9%
Return on Beginning Assets (% ROBA)	14.4%	15.2%	17.4%	16.7%	11.4%	11.8%	13.1%	14.2%	14.5%
Return on Average Assets (% ROAA)	13.2%	13.6%	16.1%	16.1%	11.0%	11.4%	12.8%	13.6%	14.0%
Return on Invested Capital (% ROIC)	24.1%	28.2%	37.4%	54.3%	24.5%	24.2%	26.2%	25.6%	27.2%
<b>Turnover Ratios</b>									
Asset Turnover (x)	3.4	3.7	4.0	4.2	3.9	3.9	4.1	4.1	4.1
PPE Turnover (x)	9.4	11.4	12.1	9.7	8.8	9.0	9.5	10.0	10.4
A/c Recv. Turnover (x)	7.7	8.4	9.6	10.6	10.0	10.6	10.9	11.4	11.9
A/c Pay. Turnover (x)	10.7	9.9	8.8	8.8	8.6	8.9	9.9	11.0	11.7
Inventory Turnover (x)	44.5	38.4	39.3	39.6	32.1	31.1	31.9	32.8	34.0
Days in Receivables	47.2	43.2	38.0	34.5	36.3	34.3	33.4	32.1	30.6
Days in Inventories	8.2	9.5	9.3	9.2	11.4	11.7	11.4	11.1	10.7
Days in Payables	34.2	36.7	41.7	41.3	42.6	41.1	37.0	33.2	31.1
Cash Conversion Cycle	21.2	16.0	5.6	2.4	5.1	5.0	7.8	10.0	10.2
<b>Liquidity/Leverage Ratios</b>									
Current Ratio (x)	1.41	1.30	1.30	1.21	1.24	1.32	1.48	1.62	1.79
Quick Ratio (x)	1.23	1.08	1.12	0.98	0.98	1.05	1.17	1.31	1.47
Liabilities/Equity (x)	0.88	1.15	1.11	0.93	0.84	0.78	0.65	0.60	0.54
Debt/Equity (x)	0.21	0.13	-	0.03	0.00	0.00	0.00	0.00	0.00
Debt/Capital (x)	0.17	0.12	-	0.03	0.00	0.00	0.00	-	-
Interest Coverage	30.3	27.6	51.3	50.6	34.2	44.4	71.5	110.0	-
CFO/Total Liabilities (x)	0.32	0.34	0.66	0.28	0.37	0.34	0.33	0.48	0.51
NI/CFO	0.81	0.69	0.44	1.15	0.62	0.72	0.95	0.73	0.76
<b>Value Drivers</b>									
Net margin	3.6%	3.3%	3.7%	3.7%	2.7%	2.8%	3.0%	3.2%	3.3%
*Asset Turnover (Beg)	4.034	4.6	4.7	4.5	4.1	4.3	4.3	4.5	4.4
= Return on Beginning Assets	14.4%	15.2%	17.4%	16.7%	11.4%	11.8%	13.1%	14.2%	14.5%
* Financial leverage	1.7	1.9	2.1	2.1	1.9	1.8	1.8	1.7	1.6
= Return on Beginning Equity	25.2%	28.6%	37.5%	35.6%	21.9%	21.8%	23.4%	23.5%	23.2%

Source: Company Financials, Al Madina Research

## Appendix: Financials/Company Profile

Oman Oil Marketing Company SAOG (Omanoil) is engaged in the marketing and distribution of petroleum products. Oman Oil Co (SAOC) remains as the single largest shareholder. The Company is involved in fuel retailing, direct fuel sales to government and commercial sectors, lubricant marketing, aviation refueling, storage and distribution. It is the distributor of Castrol and BP-branded lubricants in Oman and offers a range of products, such as Lube Plus, Visco lubricants, BP Vanellus, Diesel HD 40 and Castrol Oman. The Company operates a vast Retail network of stations across the Sultanate of Oman, which, in addition to car services provides Quick Shop convenience stores for its customers.

**Table 13: Board of Directors**

Name	Position	Status
Salim Abdullah Al Rawas	Chairman & Director	Non Executive
Mulham Bashir Al Jarf	Deputy Chairman & Director	Non Executive
Michael G Wilson	Director	Non Executive / Independent
Assilah bint Zaher Al Harthy	Director	Non Executive
Amal bint Suhail Bahwan	Director	Non Executive / Independent
Khamis bin Mohammed Al Amry	Director	Non Executive / Independent
Rawan Ahmed Al Said	Director	Non Executive / Independent
Ahmed Abdullah Al Rawas	Director	Non Executive
Abdul Kader Darwish Dosambeh Al Balushi	Director	Non Executive / Independent
Nasser Saeed Mohammed Al Balushi	Director	Non Executive / Independent

Source: Company Annual Report 2008, Al Madina Research

**Table 14: Top 10 Shareholders**

Name	Shares Held (No.)	Shares Held (%)
Oman Oil Company	31,605,000	49.00%
Civil Services Pension Fund	3,229,680	5.01%
DIDIC (SAOG)	3,225,000	5.00%
State General Reserve Fund	1,961,172	3.04%
Public Authority for Social Insurance	1,406,690	2.18%
Bank Muscat	1,295,873	2.01%
Oman Cement Co SAOG	1,237,190	1.92%
National Equity Fund	888,487	1.38%
Bank Dhofar	676,623	1.05%
Dhofar Insurance Co SAOG	636,347	0.99%
<b>Total</b>	<b>46,162,062</b>	<b>71.57%</b>

Source: Company Annual Report 2008, Al Madina Research

## Research

### Ritesh Jesrani

Head of Research  
ritesh.jasrani@almadina.com

### Sameer K.

Financial Analyst  
Sameer.k@almadina.com

## Brokerage

### Riyad Ammar

Head of Brokerage  
GSM: 99427049

### Hamad Al Hatmi

GSM: 99240079

### Bader Al Hassani

GSM: 99336522

### Ibrahim Al Hajri

GSM: 99712525

### Rahma Al Ghamari

Tel: 2482 3935

### Badriya Al Jabri

Tel: 2482 3932

## E-Madina Team

### Jehad Al Khalili

GSM: 99876660

### Majid Al Balushi

GSM: 99218666

## Contact Details

Tel: (968) 2482 3900

Fax: (968) 2481 8500

## Websites

[www.almadina.com](http://www.almadina.com)

[www.emadina.com.om](http://www.emadina.com.om)



Buy & Sell with just one click

### Al Madina Research: Rating Methodology

Rating	Explanation
Buy	Capital gain of >20% to the CMP.
Accumulate	Capital gain in the range of 10%-20% to the CMP.
Hold	Capital gain in the range of 0%-10% to the CMP.
Reduce	Capital depreciation in the range of 0%-10% to the CMP.
Sell	Capital depreciation of >10% to the CMP.
Time Horizon	Explanation
Short Term	Period of upto one (1) year from date of recommendation.
Mid Term	Period of 1-3 years from date of recommendation.
Long Term	Period of >3 years from date of recommendation.

*Disclaimer: The information and opinions in this report were prepared by Al Madina Financial & Investment Services Co. (SAOC). Al Madina does not undertake to advise you of changes in its opinion or information. Al Madina and other associated with it may make markets or specialize in, have positions in and effect transactions in securities of companies mentioned and may also or seek to perform investment banking services for other companies. This memorandum is based on information available to the public. No representation is made that it is accurate or complete. This memorandum is not an offer to buy or sell or a solicitation of an offer to buy or sell the securities mentioned. The investment discussed or recommended in this report may not be suitable for all investors. Investors must make their own investment decisions based on their specific investment objectives and financial position and using such independent advisors as they believe necessary. Where an investment is denominated in a currency other than the investor's currency changes in rates of exchange may have an adverse effect on the value, price of, or income derived from the investment. Past performance is not necessarily a guide to future performance. Income from investments may fluctuate. The price or value of the investments to which this report relates, either directly or indirectly, may fall or rise against the interest of investors.*